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20 February 1959

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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

20 February 1959

DAILY BRIEF

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I. THE COMMUNIST BLOC

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Communist China - Laos: Reacting to Laotian Premier Phoui's statement of 11 February, Communist China's foreign minister has appealed to the Geneva cochairmen--Britain and the USSR--to "check" Laotian refusal to remain bound by the Geneva agreements. Peiping's intensified propaganda on the subject suggests it hopes to stimulate international support for the Communists' legal position and to prod India, in its capacity as chairman of the International Control Commission, to call for the reconvening of the commission in Laos.

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II. ASIA-AFRICA

ok **Israel-Bloc-UAR:** Increased Jewish emigration from Rumania to Israel and a public statement by Israeli Prime Minister Ben-Gurion that there may also be emigration from the Soviet Union have caused a strong reaction in the Arab states. The government-controlled press in the UAR has branded the migration as an "imperialist plot" against the Arabs, and has warned the Soviet Union that if it permits the Jewish exodus, it will be committing an "unforgivable crime."

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ok **Pakistan:** A recent survey of Pakistan's financial position by the Ayub government indicates that Karachi--even after having cut defense expenditures--does not have the funds to complete the economic development projects now under way. It believes, however, it must expand the economic development program to retain popular support. Finance Minister Shoaib, who is scheduled to arrive in Washington on 22 February, probably will claim that the government's energetic fiscal and economic reforms and firm pro-Western policy entitle it to increased foreign aid.

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DAILY BRIEF

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III. THE WEST

Guatemala: [The government of President Ydigoras has lost considerable strength in the face of a worsening economic situation and a number of political scandals in the administration. [redacted] The President informed the US ambassador on 18 February that he may have to "crack down in a dictatorial manner" and indicated that he intends to reshuffle his cabinet.] [redacted]

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Panama: [A Panamanian radio commentator who led several thousand demonstrators in the seizure of Panama City's municipal building on 18 February has called for a 48-hour general strike to protest against administrative corruption and the economic condition of the country. Powerful opposition groups are known to possess substantial caches of arms and to have been waiting for a public demonstration which they could attempt to turn into a coup against President de la Guardia. The success of such an attempt would hinge on the National Guard, which still appears loyal to De la Guardia.] [redacted]

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IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Present Trends in Communist China. NIE 13-2-59. 10 February 1959. [redacted]

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Estimate of the World Situation. NIE 100-59. 17 February 1959. [redacted]

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DAILY BRIEF

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I. THE COMMUNIST BLOC

Peiping Calls for Reconvening of International Control Commission in Laos

A statement by Chinese Communist Foreign Minister Chen Yi on 18 February and an editorial in the People's Daily on the following day call on the Geneva cochairmen--Britain and the USSR--to "check" Laos' refusal to be bound by the 1954 Geneva accords. On 19 February, Peiping sent letters to the cochairmen charging that the United States had introduced large numbers of military personnel and arms into Laos. Chen claimed that Laos was "fully bound" by the accords, and the People's Daily editorial insisted that Laotian Prime Minister Phoui Sananikone has failed to provide "any legal basis" for his opposition to the operations of the International Control Commission (ICC) in Laos. Peiping's intensified propaganda suggests that it hopes to stimulate international support for the Communists' legal position and to prod India, in its capacity as chairman of the ICC, to call for the reconvening of the commission in Laos.

The delay of one week before Chen Yi's statement, following a mild initial Communist reaction to Laos' action, suggests that Peiping was reluctant to attack Phoui strongly on the matter in the hope that India would act on its own initiative to revive the ICC. The Chinese Communists will probably avoid military threats in their propaganda in order not to arouse apprehension among Southeast Asian countries.

The People's Daily also belatedly attacked Laos' permission for the establishment of a Chinese Nationalist consulate in Vientiane--granted last November--as a "deliberate provocation and extremely unfriendly act."

The strong bloc reaction is likely to reinforce British and French views, already expressed, that Laos' renunciation was precipitous. It probably will also raise additional doubts in Britain and France as to the feasibility of introducing US military training personnel into Laos.

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II. ASIA-AFRICA

Arab Reactions to Increased Israeli Immigration

Increased Israeli immigration from Rumania and a public statement by Israeli Prime Minister Ben-Gurion that the USSR may permit some of its Jews to emigrate have brought forth a strong reaction from the Arab states. The government-controlled press in the UAR has branded the migration as an "imperialist plot" against the Arabs, and has warned the Soviet Union that if it permits the Jewish exodus, it will be committing an "unforgivable crime." There are 3,000,000 Jews in the USSR.

Plans are under way to coordinate Arab efforts to oppose the exodus of Rumanian Jews, which began to increase last fall and which probably now involves the departure of 200-300 Jews daily. Dissatisfaction with private American financing of the migration has been expressed. Israel's aim in increasing its population, the Arabs contend, is to expand its territory at Arab expense. Arab League Secretary General Hassouna, asserting that the migration is "the greatest peril faced by the Arabs since the creation of the State of Israel," indicated the problem would be considered at the league's meeting in Cairo on 2 March. Lebanon's Prime Minister Karame and Jordan's Prime Minister Rifai reportedly are contacting other Arab countries regarding a common stand on the question.

The Rumanian Foreign Ministry, in reply to an official UAR protest which it obviously expected, stated that the emigration has been permitted for "humanitarian" reasons. The Bucharest regime apparently is seeking to resolve its perennial problem of anti-Semitism as well as to reduce a potentially troublesome minority group which has resisted assimilation. The desire to find responsible positions in industry and the professions for Communist-educated ethnic Rumanians is also a factor.

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Pakistani Government Increasingly Concerned About Financial Difficulties

The Ayub government, following an investigation of Pakistan's financial position, has informed the US Embassy in Karachi that Pakistan's financial condition is considerably weaker than previously estimated. Foreign-exchange reserves--including gold--amount to only \$162,000,000, the lowest figure on record for this time of year. The foreign-exchange gap for the first half of 1959 is estimated to be at least \$30,000,000 and may be considerably more.

The government--despite sharp cuts in civil and defense expenditures--does not have the funds to complete economic development projects now under way or to provide adequate imports of raw materials for private industry. If imports are held at the present level, the shortage of consumer goods will make prevention of inflation extremely difficult. Karachi believes its ability to hold prices below the levels which prevailed before martial law was imposed last October and to expand the economic development program are key factors in its ability to retain popular support.

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[President Ayub reportedly is increasingly concerned about the economic situation and wants more economic aid even at the expense of defense support.] The high priority his government is placing on economic development is illustrated by its decision to cut defense imports by about 40 percent. It has also canceled plans to purchase three submarines and is scrapping the navy's only cruiser.

Pakistan has secured a \$28,000,000 long-term loan from the United Kingdom and has arranged a \$25,000,000 stand-by credit from the International Monetary Fund. Finance Minister Shoaib, who is scheduled to arrive in Washington on 22 February, probably will claim that his government's energetic fiscal and economic reforms and firm pro-Western policy entitle it to increased US aid.

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III. THE WEST

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Position of Guatemalan President Weakening

[The Guatemalan political situation continues to deteriorate.

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[This, combined with the President's recent political blunders and a worsening economic situation due in part to a decline in income from coffee exports, has so weakened his position that his government may fall unless he acts quickly to clean it up.

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[Ydigoras apparently realizes his danger and told the US ambassador on 18 February that he may have to "crack down in a dictatorial manner." He also indicated that he intends to reshuffle his cabinet, dropping some of the members most identified by the public with graft.]

[While there appears to be no immediate danger of a coup, since various opposition leaders are believed to be working at cross-purposes and the army remains loyal to the President, continuation of the present trend could within a relatively short time lead to his ouster. Key army officers, the ultimate locus of political power, have proven responsive to public pressure in the past, and their support of Ydigoras would probably be withdrawn if they became convinced that the President had lost his political and public backing.]

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[REDACTED]

Civil Unrest in Panama May Be Exploited by Opposition Forces

{A Panamanian radio commentator who led several thousand demonstrators in the seizure of Panama City's municipal building on 18 February has called for a 48-hour general strike to protest against administrative corruption and economic conditions. This may give President de la Guardia's strong opposition a pretext to try a long-awaited coup.}

{The commentator, who specializes in sensationalistic and inflammatory broadcasts, is not known to be allied with any of the several opposition groups which have been smuggling arms into the country. However, he has been attacking De la Guardia's inability to control corrupt officials and has criticized the National Guard, chief source of political strength in Panama. His recent calls to rise against the corrupt oligarchy which has ruled the country for many years have probably influenced the thousands of poor and unemployed concentrated in Panama City.}

{De la Guardia's main opposition is from cynical groups within the oligarchy whose eagerness to gain more control of the country's economy by taking over the administration has kept Panama in a political ferment for months. These groups have previously exploited for their own ends demonstrations by discontented crowds and may hope to capitalize on this latest expression of dissatisfaction.}

{The President ordered the unpopular National Guard not to interfere with the demonstrators and has suspended the municipal council until an investigation of the charges is made. The guard is still considered loyal to De la Guardia and is probably capable of maintaining him in office.}

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